

RUSSELL RECREATION COMMISSION

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2008

RUSSELL RECREATION COMMISSION
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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Russell Recreation Commission
Russell, Kansas 67665

We have audited the accompanying financial statements of the **Russell Recreation Commission**, a component unit of the City of Russell, Kansas as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the **Russell Recreation Commission's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards and the audit guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the **Russell Recreation Commission** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the **Russell Recreation Commission**, as of December 31, 2008, or changes in financial position for the year then ended. Further, the **Russell Recreation Commission** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the **Russell Recreation Commission**, as of December 31, 2008, their respective cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

November 19, 2009

RUSSELL RECREATION COMMISSION
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2008

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories							
General Fund	\$ 97,699	-	181,707	105,221	174,185	1,264	175,449
Special Revenue Funds							
Employee Benefits Fund	26,195	-	-	26,195	-	-	-
Capital Improvements Fund	10,000	-	-	-	10,000	-	10,000
Total Special Revenue Funds	36,195	-	-	26,195	10,000	-	10,000
Total Reporting Entity	\$ 133,894	-	181,707	131,416	184,185	1,264	185,449
Composition of Cash:					Checking Account	\$	185,449

The notes to the financial statements are an integral part of this statement.

RUSSELL RECREATION COMMISSION
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2008

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Fund Categories					
General Fund	\$ 192,600	-	192,600	105,221	87,379
Special Revenue Fund					
Employee Benefits Fund	18,232	-	18,232	26,195	(7,963)

The notes to the financial statements are an integral part of this statement.

RUSSELL RECREATION COMMISSION

General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008

	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Tax Appropriations	\$ 102,750	102,750	-
Program Fees	21,931	22,000	(69)
Concessions	13,030	12,000	1,030
Gate Revenue	8,171	8,000	171
Tournament Entry Fees	7,791	6,000	1,791
Interest on Investments	1,839	500	1,339
Transfers In	26,195	18,232	7,963
Total Cash Receipts	181,707	169,482	12,225
Expenditures			
Salaries - Director	30,500	32,500	2,000
Salaries - Other	3,913	16,500	12,587
Salaries - Concessions	2,329	-	(2,329)
Health Insurance	4,447	4,000	(447)
KPERS Contributions	1,794	7,200	5,406
Workman's Compensation	760	2,200	1,440
Payroll Tax	3,506	4,200	694
Unemployment Tax	45	-	(45)
Accounting and Reporting	3,525	4,000	475
Automobile Expense	2,517	4,000	1,483
Awards	1,941	5,000	3,059
Concession Products	6,186	5,000	(1,186)
Concession Sales Tax	886	1,000	114
Insurance	1,070	1,500	430
Memorial Park Maintenance	6,146	35,000	28,854
Motorized Equipment	228	2,000	1,772
Office Expense	9,949	15,000	5,051
Program Expense	15,988	29,000	13,012
Tournament Expenses	1,996	4,000	2,004
Tournament Officials	7,495	20,000	12,505
Travel	-	500	500
Total Expenditures	105,221	192,600	87,379
Receipts Over (Under) Expenditures	76,486		
Unencumbered Cash, January 1	97,699		
Unencumbered Cash, December 31	\$ 174,185		

The notes to the financial statements are an integral part of this statement.

RUSSELL RECREATION COMMISSION
Employee Benefits Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Expenditures			
Transfers Out	\$ 26,195	18,232	(7,963)
		<u>18,232</u>	<u>(7,963)</u>
Unencumbered Cash, January 1	<u>26,195</u>		
Unencumbered Cash, December 31	\$ <u>-</u>		

The notes to the financial statements are an integral part of this statement.

RUSSELL RECREATION COMMISSION
Capital Improvements Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2008

Unencumbered Cash, January 1	\$ <u>10,000</u>
Unencumbered Cash, December 31	\$ <u><u>10,000</u></u>

The notes to the financial statements are an integral part of this statement.

RUSSELL RECREATION COMMISSION

Notes to Financial Statements

December 31, 2008

1. Summary of Significant Accounting Policies

The **Russell Recreation Commission** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

A. Financial Reporting Entity

The **Russell Recreation Commission** is authorized by K.S.A. 12-1922 under an agreement with the City of Russell, Kansas to provide a system of public recreation and playgrounds. The governing body of the Recreation Commission consists of five members appointed by the City of Russell, Kansas. These financial statements consist of all the funds of the Recreation Commission. The Recreation Commission receives funding from local and state governmental sources and must comply with the requirements of these funding sources.

The financial statements of the Recreation Commission consist of all the funds of the Recreation Commission and governmental entities that are considered to be controlled by or dependent on the Recreation Commission. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The Recreation Commission has no entities that are controlled or dependent on the Recreation Commission.

The **Russell Recreation Commission** is a component unit of the City of Russell, Kansas. The Recreation Commission is controlled by or dependent on the City of Russell, Kansas. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. These financial statements include only the funds of the Recreation Commission.

B. Basis of Presentation - Fund Accounting

The accounts of the Recreation Commission are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the Recreation Commission for the year ended December 31, 2008.

Governmental Fund Categories

General Fund - reports as the primary fund of the Recreation Commission. This fund is used to account for all financial resources not reported in other funds.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditures for specific purposes.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include

RUSSELL RECREATION COMMISSION

Notes to Financial Statements

December 31, 2008

C. Statutory Basis of Accounting (cont.)

disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The **Russell Recreation Commission** has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Recreation Commission to use the statutory basis of accounting.

D. Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Recreation Commission are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

E. Accounting for Capital Assets and Depreciation

The Recreation Commission does not maintain a record of capital assets used in performance of general government operations as required by generally accepted accounting principles.

F. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund and special revenue funds (unless specifically exempted by statute). The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Prior to certification of the budget to the city, the Recreation Commission will meet to answer questions and objections of taxpayers relating to the proposed budget or for amendments to the proposed budget.
2. Publication in the local newspaper of the proposed budget notice of public hearing on the budget ten days prior to meeting.
3. Public hearing to be held not less than ten days prior to the date on which the Recreation Commission is required to certify its budget to the city.
4. Adoption of the final budget to the City of Russell, Kansas no later than August 1st.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

RUSSELL RECREATION COMMISSION

Notes to Financial Statements

December 31, 2008

F. Budgetary Information (cont.)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the Recreation Commission for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for the Capital Improvements Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

G. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

H. Deposits and Investments

The Recreation Commission follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the Summary of Cash Receipts, Expenditures, and Unencumbered Cash.

At December 31, 2008, the Recreation Commission had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the Recreation Commission. The statute requires banks eligible to hold the Recreation Commission's funds have a main or branch bank in the county in which the Recreation Commission is located or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Recreation Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Recreation Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Recreation Commission has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Recreation Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Recreation Commission has no investments.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Recreation Commission's deposits may not be returned to it. State statutes require the Recreation Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal

RUSSELL RECREATION COMMISSION

Notes to Financial Statements

December 31, 2008

H. Deposits and Investments (cont.)

Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Recreation Commission did not use "peak periods" during 2008. All deposits were legally secured at December 31, 2008.

At December 31, 2008, the Recreation Commission's carrying amount of deposits was \$185,449 and the bank balance was \$186,089. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$186,089 was covered by federal depository insurance.

I. Property Tax Calendar

Property taxes are collected and remitted by the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major property tax payments are received January through July and are recognized as revenue in the year received.

J. Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures during the year of purchase as required by state statutes.

K. Compensated Absences

Currently, the Recreation Commission does not have a compensated absences policy implemented. The director is required to work forty (40) hours per week. After these hours are met, the director is allowed to take vacation.

L. Defined Benefit Pension Plan

Plan Description - The Recreation Commission contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas Avenue, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2008 is 5.93%. The Recreation Commission's employer contributions to KPERS for the year ending December 31, 2008 was \$1,809.

M. Reimbursements

The Recreation Commission records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursement as revenue to the fund.

2. Litigation

The Recreation Commission is party to various legal proceedings which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the Recreation Commission.

RUSSELL RECREATION COMMISSION

Notes to Financial Statements

December 31, 2008

3. Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas Statutes. The Recreation Commission's operating transfers and statutory authority for December 31, 2008 were as follows:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>2008</u>
Employee Benefits Fund	General Fund	K.S.A. 79-2958	\$ <u>26,195</u>

4. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Risk Management - Claims and Judgments

The Recreation Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Recreation Commission carries commercial insurance for other risks of loss, including property, general liability, inland marine, and automobile coverage.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. As of December 31, 2008, the financial statements do not include liabilities for anticipated costs.

6. Related Party Transactions

In accordance with Financial Accounting Standards Board Statement No. 57 (the Statement), the following related party transactions were identified for 2008. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

Atlas Screenprinting	<u>2008</u>
Dave Oste is owner of the Company and was a board member in 2008:	
T-Shirts	\$ <u>6,808</u>

7. Compliance with Kansas Statutes

Expenditures exceeded the adopted budget in the following fund which is in violation of K.S.A. 79-2935.

Employee Benefit Fund	\$ <u>(7,963)</u>
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